

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2206

2005 SENATE EDUCATION

SB 2206

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2206

Senate Education Committee

Conference Committee

Hearing Date January 25, 2005

Tape No.	Side A	Side B	Meter #
Tape 1 failed	x		0 - 1360
1	x		1360 - end
1		x	0 - 1500
Tape 2 failed only motion for a Do Pass	x		5511-end
Tape 3	x		0-670
Committee Clerk Signature <i>Patty Wilkens</i>			

Minutes: a bill to provide an appropriation for providing equity funding for certain higher education institutions.

Chairman Freborg opened the hearing on SB 2206, a bill to provide an appropriation for providing equity funding for certain higher education institutions. All members were present.

Senator Brown introduced the bill. It has been drafted to solve equity issues. He distributed a table showing campus funding comparisons.

Senator Freborg asked what guarantee we have if we change the formula.

Senator Brown said the current formula will work.

Senator Flakoll asked if this will provide an ongoing appropriation.

Senator Brown said it will provide an influx of funds.

Senator Traynor appeared in support of the bill.

Dave Oehlke, a resident and business owner from Devils Lake and immediate past president of the Lake Region Community College Foundation, testified in favor of the bill. (written testimony)

Representative Aarsvold is a co-sponsor of the bill and appeared in favor. He has served on the higher education round table and found that adequate funding is not provided to three campuses. They are dramatically below the other schools in state funding. He would like to invest in our young people.

Senator Flakoll asked if, through the round table process, did he run into any campuses with **Representative Aarsvold** said matching fund was not appropriated. Some campuses are pretty unique when compared to some nationwide.

Senator Seymour asked for an explanation of matching funds.

Representative Aarsvold said the committee tried to come up with funding to match or equal the same as that of other states. It seems the most appropriate way to do that would be through the legislature.

Senator G. Lee asked how this fixes the problem. Will we have to continue to provide this type of funding in the future.

Representative Aarsvold said appears to be better measures.

Senator Flakoll asked about the percentage of costs paid by students.

Representative Aarsvold said determining equity is difficult.

Sharlene Windjue, a student at Lake Region State College, testified in favor of the bill. (written testimony) (meter 1365)

Charles Harter, Accounting Professor and Presiding Officer, NDSU University Senate, testified in favor of the bill. (written testimony) (meter 1645) He doesn't want to compare NDSU and schools in Fairbanks or South Carolina because that doesn't make a lot of sense. He would rather compare NDSU to a school that is close by, UND.

Senator Seymour asked if we should put a cap on the number of students at NDSU (meter 2130).

Mr. Harter said no, that would create a different problem. We want students to get a quality in North Dakota. NDSU provides a very quality education. Do we want to limit that? No.

Senator Taylor said he noticed the three still ended up at the bottom. Do you know the numbers well enough to describe the differences. (meter 2200)

Mr. Harter asked what years Senator Taylor numbers were from. The data he has presented was from the 2003 accountability report. The 2004 accountability report very recently came out. He chose not to use it because he did not have time to go through it carefully and because the 04 report was for the first year of a biennium so some of the numbers are misleading because some funds that are not spent are held over. The numbers in the 04 report are accurate but can be misleading.

Joe Belford testified in favor of the bill. He is a Ramsey County Commissioner and an alumni of UND Lake Region. Several of his family members also attended the school. He is in full support of UND Lake Region. (meter 2330)

Rick McAllister, President of the Faculty Senate at Lake Region State College, testified in favor of the bill. (written testimony) (meter 2460)

Senator Erbele asked what is the trend for student enrollment.

Mr. McAllister said they are holding steady. Their growth has been in outreach and distance education.

Senator Erbele asked if they have room for growth.

Mr. McAllister said yes.

David Maring, a 1971 NDSU graduate and 1974 graduate of UND, testified in favor of the bill.

(meter 2990). He currently lives in Mandan and lived in Fargo for many years, he is on the alumni board of directors for NDSU and has served as its president. He has been involved in NDSU activities since the late '60's and more directly the last 15 years. This issue of equity funding has been around all that time. These issues need to be addressed at some point in time. NDSU and BSC, Lake Region have been good stewards of the state's money. NDSU has done some tremendous things over the past few years with the technology park bringing in something in the neighborhood of \$100 million in grant money and funding from outside sources. NDSU, BSC and Lake Region should be funded on an equitable basis. (meter 3000)

Craig Kilber, Student Body President, NDSU, testified in favor of the bill. (written testimony) (meter 3170)

Senator Seymour asked if there are more graduate students at UND when compared to NDSU.

Mr. Kilber said there are 13,000 students at UND and over 12,000 at NDSU. There is a difference of \$1800 per student.

Ashley Sieg, a student at BSC and a member of the BSC Board of Governors, testified in favor of the bill. (written testimony) (meter 3600)

Wendy Pank, President Chairman Flakoll opened the hearing on the Faculty Senate at BSC, testified in favor of the bill. (written testimony) (meter 4140)

Senator Taylor asked about the \$3,270,000 for BSC. Have you been in any discussions to determine how these funds would be spent since the needs seem to exceed the funds. (meter 4760)

Ms. Pank said she would defer to Vice President Clark.

Dave Clark, Executive Vice President of Bismarck State College, came to the podium to answer the question. The \$3.3 million would be a significant increase in funding. They have a cabinet of administrators at BSC to determine priorities and they would get input from faculty and staff. They have significant space needs. If he had to project, he thinks there would be some funding to all areas of need to a limited extent.

Senator Flakoll said statewide the average K - 12 teacher statewide with a masters degree is paid more than a teacher with a masters degree with a 10 month appointment in the university system. Does BSC lose teachers to the local school district.

Ms. Pank said she does not know of any, but she does know of some who have left the state because of salary issues.

David Farnsworth, Power Generation Leader at Coal Creek Station, testified in favor of the bill. (written testimony) (meter 5150)

Robert Potts, Chancellor of the North Dakota University System, testified in favor of the bill with fairly significant amendments. (written testimony) (meter 6044) He distributed a copy of the North Dakota University System long term finance plan. This was hammered out in some 40 meeting and the results of the round table. Its better to compare our institutions to their peers, we don't want to compare institutions within the system.

Senator Flakoll said the funding equity formula has been in place for a while now. Does Mr. Potts have the data that shows the movement it has generated. (meter 320)

Mr. Potts said the 80/20?

Senator Flakoll said yes.

Mr. Potts said they are going in the opposite direction, tuition is taking more and more of a percentage, we are not meeting the long term finance plan and there has been very little progress made, particularly in the current biennium because of the cuts that were made by the legislature. Senator Flakoll, said its not working.

Mr. Potts said its not working because we haven't had the resources. The issue is the resources. A lot of work has gone into setting priorities. The Board of Higher Education is charged with making those policy decisions, the legislature is charged with deciding how the funding goes. The equitable way to do this is to follow the long term finance plan. You are asking if we have made progress and the answer is no, we have not had the resources to put into it

Senator Flakoll asked if the proposed additional \$4 million would help the bill's chance for passage.(meter 473)

Mr. Potts said being a seven month resident of North Dakota , it would be presumptuous to do so. He thinks the chances for this bill are fairly rocky from what he is hearing from the appropriations committee. He supports the bill and its passage would be a great statement for higher education.

Senator Flakoll asked how we respond to constituents who ask why we are looking at additional new things when we haven't fully and adequately taken care of what we already have.

Mr. Potts said it was a pretty general question. He doesn't know what new things he is referring to. Are you asking about the \$2 million in the executive budget for the child care matter.

Senator Flakoll said he believes there are some prioritized wish list items that are ahead of this.

Mr. Potts said he does not believe there are new things in that priority item. We have asked for these priority items to be met, they are either parity, equity or capital improvements. They continue our programs. To tell the university system in this biennium and before, following the directions of the round table, to be entrepreneurial, to do good things on campuses to generate outside funds, and now we are asking that some additional money be added to the budget to implement this long term finance plan. He doesn't believe there are a lot of new programs out there. The campuses may have some programs they want to fund. He knows, through his discussions, faculty and staff salaries are the top priority to get closer to the national average and fill these positions with qualified people.

Charles Kupchella, President of UND, said he is opposed to the bill as written. He is in favor of some consideration of equity. He is on record as a member of the chancellor's cabinet as supporting equity for all institutions in the state and of giving special consideration to those schools who are farthest removed from their peer institution. (meter 750) (written testimony)

Senator Flakoll said there was a reference a vote by the chancellor's cabinet. What was the vote about. (meter 1190)

Dr. Kupchella said before the cabinet looks at issues the Board of Higher Education will be considering and the cabinet votes or indicates their consensus on the issue. The chancellor then reports this to the board. They did this with the legislative plan for financing higher education.

Senator Flakoll clarified that Dr. Kupchella voted in favor.

Dr. Kupchella said yes, it was unanimous.

Senator Flakoll asked how many medical school faculty or staff they have.

Dr. Kupchella said he doesn't know the number but he knows what Senator Flakoll is getting at is the comparisons that are made. UND has 270 people who work in the energy and environmental research center alone. They do about \$25 million a year in grant contract work. They don't teach so they don't show up in these ratios. Its staff but they don't support students. Thats the point, these comparisons can't be made. The medical school is included in all these calculations so they want to be compared to other schools with medical schools. They typically have extremely low student faculty ratio because of the emphasis on research and the intensity of clinical training. (meter 1364)

Senator Flakoll asked how long is a reasonable amount of time for equity to take place and would you support this bill if UND were included.

Dr. Kupchella said absolutely. In fact, thats what the chancellor's amendment would do. He helped with the development of the long range finance plan, all the way back to the round table. He knows what it was intended to do. Its four year old now. We knew if might take a little while, six years to the 85% level, 12 years to 95% of the peer average, that was the original idea. (meter 1450)

Chairman Freborg closed the hearing on SB 2206.

Senator Freborg : Opened the hearing on SB 2206 in the afternoon of Jan, 25th 2005.

Other discussion for SB 2206 Tape # 2 failed. I did not get all of the discussion.

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Senate Education Committee

Bill/Resolution Number SB 2206

Hearing Date January 25, 2005

Tape # 3 Senator G. Lee : Mentioned to Senator Seymour that we had a motion on the floor for a do not pass on SB 2206. We failed a Do Pass 2-3 Senator Erbele : moved a do not pass and seconded by Senator Freborg,

Senator Erbele, Made a motion for a Do Not Pass as amended on SB 2206, Seconded By, Senator Freborg

Senator G. Lee opened this up for discussion on the motion,

Senator Taylor : As you mention the Potts amendment as it's called. I visited with Senator Seymour, does this essentially, take a little more and spread a little farther?

Senator G. Lee : That is my understanding of it. Each of the principles that are listed here would get less I think if I remember the numbers here.

Senator Taylor : Does anyone have the answer, we don't have any sponsors of the bill on this committee I guess, as to why this issue wasn't addressed in the Universities systems appropriations request, I mean they have the round table and the flexibility and they could have built this parity in as a system, anyone on the committee have a thought on that?

Senator Flakoll : I think as part of their discussion they also have this 80-20 thing that might help them out, as to why they haven't done anything yet.

Senator G. Lee : Didn't they also prioritize a list of things and this wasn't one of the things higher on the priority list.

Senator Taylor : Thinking my way through the bill here seems like there is extra money built in the Higher Ed budget by the Governors proposal, and that rather than have this come through our committee, I am inclined to give it a do not pass. If they want to continue the battle it should be done in appropriations.

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Senate Education Committee

Bill/Resolution Number SB 2206

Hearing Date January 25, 2005

Senator Flakoll : One of the reasons why it was probably directed down here VS appropriations is that they conceived it as a bit of a policy issue. Much like we do for equity in K-12.

Senator Freborg : I can tell you why it is here and not in appropriations. I believe it has a better chance, because there are fewer people that invested interest. If it gets to appropriations 90% of them have an institution. Mark my words this bill is dead. You may prolong that agony as long as you want to. Sorry Mr. V-Chr.

There was no further discussion

There being no other discussion roll call vote was taken. vote: 4-2-0

Senator Erbele, will carry the bill.

The meeting was adjourned.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2206

Senate Education Committee

Conference Committee

Hearing Date 01/26/05

Tape Number	Side A	Side B	Meter #
1	x		2324-2660
Committee Clerk Signature <i>Patty Wilkens</i>			

Minutes: **Minutes: a bill to provide an appropriation for providing equity funding for certain higher education institutions.**

Senator Layton Freborg, Chairman called the meeting to order on SB 2206

Senator G. Lee : Made a motion to reconsider SB 2206 that was heard yesterday on University dollars.

Seconded by, **Senator Erbele**

discussion on the motion:

Senator G. Lee : There has been some discussion about re-looking at that in terms of trying to prepare a better fix to what's in the bill, rather than just looking at the numbers. I think Senator Flakoll has an unusual and ingenious idea that would solve some of that issue.

Senator Freborg : The motion was to reconsider our actions by which we defeated SB 2206

The vote was unanimous

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2206

Senate Education Committee

Conference Committee

Hearing Date 02/02/05

Tape Number	Side A	Side B	Meter #
2	x		115-2340
Committee Clerk Signature <i>Patty Wilkins</i>			

Minutes: **Minutes: a bill to provide an appropriation for providing equity funding for certain higher education institutions.**

Senator Layton Freborg, Chairman called the meeting to order on SB 2206

Further discussion on this bill

Senator Flakoll : Presented a chart for the members of the committee to look at. He also explained this chart to the members as to how this plan would work.

The amendments with the new money on a go forward basis, all campuses will receive an increase for parity, with the approach that they currently would have now. Long term approach to the solution.

Senator Taylor : Say there is new \$ and how much is there, say there is new \$ proposed in the Governors budget or however that floats through the process, that is already ear marked for things by the university system, I assume rather than just equity and parity. If there is 12 million in new money in the Higher Ed budget right now. Doesn't that already have a place to go?

Here we will start shuffling that towards, and maybe this all works out the same I don't know.

Senator Flakoll : Sometimes there is line item where they put so much money toward the Higher Ed pool and this tries to fairly distribute those \$ across all campuses, so that they all continue to move up. Right now there is a budget of about 3 hundred million dollars in the current biennium.

Senator Freborg : Because the % of funding is based on the parity, is there a possibility that they will continue to fall behind? I am talking about the one that is at 95% does that not begin to come down?

Senator Flakoll : Certainly, the one that is at 95% is the one to be under that amount, there will be times when someone will shift in and shift out. Some with greater critical mass. Explained that the B and C categories could surpass 95% of there peers, however they are guaranteed their certain % of their money, Explain the amendment.

Senator Taylor : Could you make this available to the media?

Senator G. Lee : 12 million plus is taken out of the bill?

Senator Flakoll : Yes, this is the hog house amendment in essences the amendment becomes the bill.

Senator G. Lee : Then on the go forward basis they wouldn't need to come back and look for a new infusion if this formula is used.

Senator Flakoll : Yes, one of the nice things about this plan is, every time a dollar is put in every institution benefits from that dollar.

Senator G. Lee : 60 % parity, 40% equity ?

Senator Flakoll : Parity to all of them, equity to those who are behind.

Senator Seymour : How and who monitors the peer institution?

Senator Flakoll : All institution were asked to submit a list of institutions that they thought were peer groups for them. The Board of Higher Ed in conjunction the ND university system said OK. With only a couple of exception they think these are appropriate peer groups for them. We don't control other university systems, some things could happen like a university that ceases to exist, that would be one of the peers.

Senator G. Lee : So if in my peer group, I have an institution that their state decides to put in much more money in than we decide to put in, we run into problems again, don't we, in terms of this formula working, that we would be back into the 12 million dollar scenario again, truing to get ourselves back up and circumvent the process of this because we don't have enough money in the system?

Senator Flakoll : They are in a large pool, much like an insurance pool, where there might be a catastrophic accident, this would be spread out over a larger # of institutions.

Senator G. Lee : Institution D must be your favorite then?

Senator Flakoll : This is where I thought I would have to call Senator Seymour, if we are doing policy issues it shouldn't matter who A is or D is? It matters if it is the right policy to adopt.

Senator G. Lee : I commend your work

Senator Taylor : What is the weight of legislative intent, in policy do they have to follow or is it an option? What is the history of that.

Senator Flakoll : That is a better ? for the Chair.

Senator Taylor : How does that usually work.

Senator Flakoll : If we would pass this they would need to implement.

Senator Freborg : It is interesting about legislative intent, I was mixed up one time in an almost free for all over some money that was spent in spite of legislative intent. Quite a few million dollars and really the end result was nothing. I spent the money, there was no reprimand of any kind the money didn't come back. Legislative intent was very very clear and it was unanimous. An agency spent some money, I am not sure that legislative intent means a whole lot. It only means that's what we wish to happen.

Senator Flakoll : Did they ever get any money again?

Senator Freborg : Not as much.

Senator Seymour : To zero in on this peer benchmark, how do they do that. Do you just take the one peer institution and say that's what I am matching up with or do you take an average of the one you pick? Or how are they actually doing that in Higher Education?

Senator Flakoll : They take the combined of the average of those institutions, that's why your bumps and valleys won't be that significant. Their peer group is that they are all equal in that respect. Or their peer pool.

Senator Seymour : One thing that revolves in my heart at a State Board of Higher Ed meeting in the early 90's when President Housse from Valley City said today's equity is tomorrow's inequity. I will never forget that statement..

Senator Flakoll : With this peer group that has been adopted by the board and signed off by the institution, so I think there a pretty firm belief behind this process. This is a much better scenario then if we were to compare a Mayville to a UND to a Valley City, no two institutions are directly compared to each other. One is not in a peer in the peer group of another. Trying to find appropriate peer group institutions.

Senator Taylor : Just a ? on the %'s 40-60/30-70/20-80 was this in consultation with some of the institutions or are those ratio's the right ones or where did we get those? Do we need to throw more towards equity or what is the feeling of the institutions?

Senator Flakoll : I think we will find that out as we progress through this process. Originally I had a variety of much more complicated scenarios that were based upon actual %'s , one of the things that I try to derive is that when the greatest disparity exists, the greatest equity should be put into place. As we get closer to equity we don't need to target as much money towards that problem. Other one I may have taken some ridicule from the Chair on.

Senator Seymour : When you look at equity and inequity, what is the factor that is the biggest, say NDSU loses 1500 students next yr. how does that factor in your that that have anything to do with peer institutions?

Senator Flakoll : That is separate because of the tuition portion of it, which is technically they get to keep now. It used to be ran through the SBHE and ran out the back somewhere. Now they get to keep it themselves. Where this is outside that process, this is simply the state appropriation for them.

Senator Flakoll : I would move the amendments on SB 2206 /50497.0102

Senator G. Lee : Seconded the motion

Senator Flakoll, Made a motion for a do pass as amended on, Seconded By, Senator G. Lee

There being no other discussion roll call vote was taken. vote: 6-0-0

Senator Flakoll, will carry the bill.

Senator Freborg : closed the hearing on SB 2206

PROPOSED AMENDMENTS TO SENATE BILL NO. 2206

Page 1, line 8, replace "the biennium" with "future bienniums" and overstrike "and ending"

Page 1, overstrike line 9

Renumber accordingly

Sen. Brown

PROPOSED AMENDMENTS TO SENATE BILL NO. 2206

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide a statement of legislative intent regarding the allocation of certain funding appropriated to higher education institutions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE INTENT - HIGHER EDUCATION EQUITY AND PARITY FUNDING. It is the intent of the legislative assembly that any increase in funding provided from the general fund for higher education institutions is to be allocated on the following priority basis:

1. First, until all institutions are funded at least sixty-five percent of their individual ninety-five percent peer benchmark, any additional funding must be allocated sixty percent to parity to be distributed proportionately to all institutions and forty percent to equity, with the equity funding to be distributed as follows:
 - a. First, the funds must be distributed to the institution that is furthest from the sixty-five percent target until that institution reaches the funding level of the next institution that is furthest from the sixty-five percent target.
 - b. Next, the funds must be distributed proportionately to those two institutions until the institutions reach the funding level of the next institution that is furthest from the sixty-five percent target.
 - c. Next, the funds must be distributed proportionately to those three institutions until the institutions reach the funding level of the next institution that is furthest from the sixty-five percent target.
 - d. The funds shall continue to be distributed proportionately to institutions in the same manner until all institutions reach the level of sixty-five percent of their individual ninety-five percent peer benchmark.
2. Second, until all institutions are funded at least seventy-five percent of their individual ninety-five percent peer benchmark, additional funding must be allocated seventy percent to parity to be distributed proportionately to all institutions and thirty percent to equity, with the equity funding to be distributed proportionately to institutions in the same manner as described in subsection 1 until all institutions reach the level of seventy-five percent of their individual ninety-five percent peer benchmark.
3. Third, after all institutions are funded at a level equal to at least seventy-five percent of their ninety-five percent peer benchmarks, additional funding must be allocated eighty percent to parity to be distributed proportionately to all institutions and twenty percent to equity, to be distributed according to the long-term finance plan adopted by the state board of higher education."

Renumber accordingly

Date: 2/2/05
Roll Call Vote #: 4

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2206

Senate SENATE EDUCATION Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken on amendment H15

Motion Made By Flakoll Seconded By Lee

Senators	Yes	No	Senators	Yes	No
CH- SENATOR FREBORG	✓		SENATOR SEYMOUR	✓	
V-CH- SENATOR G. LEE	✓		SENATOR TAYLOR	✓	
SENATOR ERBELE	✓				
SENATOR FLAKOLL	✓				

Total (Yes) _____ No _____

Absent _____

Floor Assignment Flakoll

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2206: Education Committee (Sen. Freborg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2206 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide a statement of legislative intent regarding the allocation of certain funding appropriated to higher education institutions.

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Renumber accordingly

2005 TESTIMONY

SB 2206

A Shared Commitment

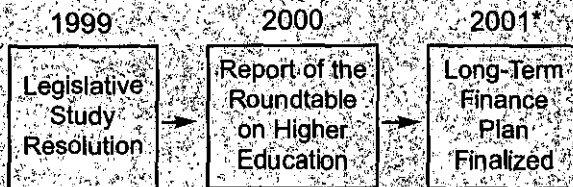
Funding the NDUS is a shared responsibility. Dollars needed to cover parity and equity costs come from two sources, state general funds and net student tuition revenues.

Since the cost of education varies by the type of institution, the targeted ratio, or percentage of funds to be provided by each source of funding under this plan, varies by the type of institution as follows:

Campus	State Share	Student Share
UND, NDSU	60%	40%
MiSU	65%	35%
DSU, MaSU, VCSU	70%	30%
Two-Year Campuses	75%	25%

NDUS colleges and universities also contribute to covering parity and equity costs by managing operations efficiently as defined by the Long-Term Finance Plan. In addition, campuses generate other revenues, which are retained by the campuses to support the core functions of teaching, research and public service.

Long-Term Finance Plan Timeline



*The Long-Term Finance Plan continues to be used by the State Board of Higher Education as a basis for budget requests

The Driving Principles

The Long-Term Finance Plan:

- Provides adequate funding to maintain campus capacity to support core functions
- Recognizes the unique mission of each campus
- Provides resources needed to protect the state's investment in facilities and infrastructure
- Encourages collaboration among campuses and with the private sector
- Maintains flexibility to respond to changing system and state needs
- Is used only for allocation of additional state general fund appropriations, not reallocation of existing state general funds

There is a mutual dependency between the NDUS and the state. The state absolutely needs a strong university system contributing to solutions to the state's problems. At the same time, the NDUS needs resources which can come only from an expanding economic and population base.

Roundtable Report, May 2000

THE NDUS Long-Term Finance Plan

Advancing the Vision
of the
Roundtable on Higher Education

NORTH DAKOTA
UNIVERSITY SYSTEM

The Vital Link to a Brighter Future

May 2004

North Dakota University System
600 E Boulevard Ave Dept 215
Bismarck ND 58505-0230

Phone: 701.328
Web site: www.

Fax: 701.328.2961
odak.edu

Big Picture

What is the Long-Term Finance Plan?

This plan is a fiscally sound mechanism for financing the state's public higher education system to accomplish the goal and expectations of the Roundtable on Higher Education.

The Long-Term Finance Plan:

- Provides clear, long-term funding targets for each of the 11 North Dakota University System institutions
- Provides the NDUS increased flexibility with accountability
- Compares funding levels of NDUS institutions to similar institutions nationwide, rather than to one another
- Allows the NDUS to be drawn by a vision rather than driven by a budget

Why Was this Plan Developed?

The 1999 Legislative Assembly, through the Legislative Council, asked the interim Higher Education Committee to define a clear, agreed-upon set of expectations and to develop the tools needed to meet those expectations, including a long-term finance plan.

Who Developed the Plan?

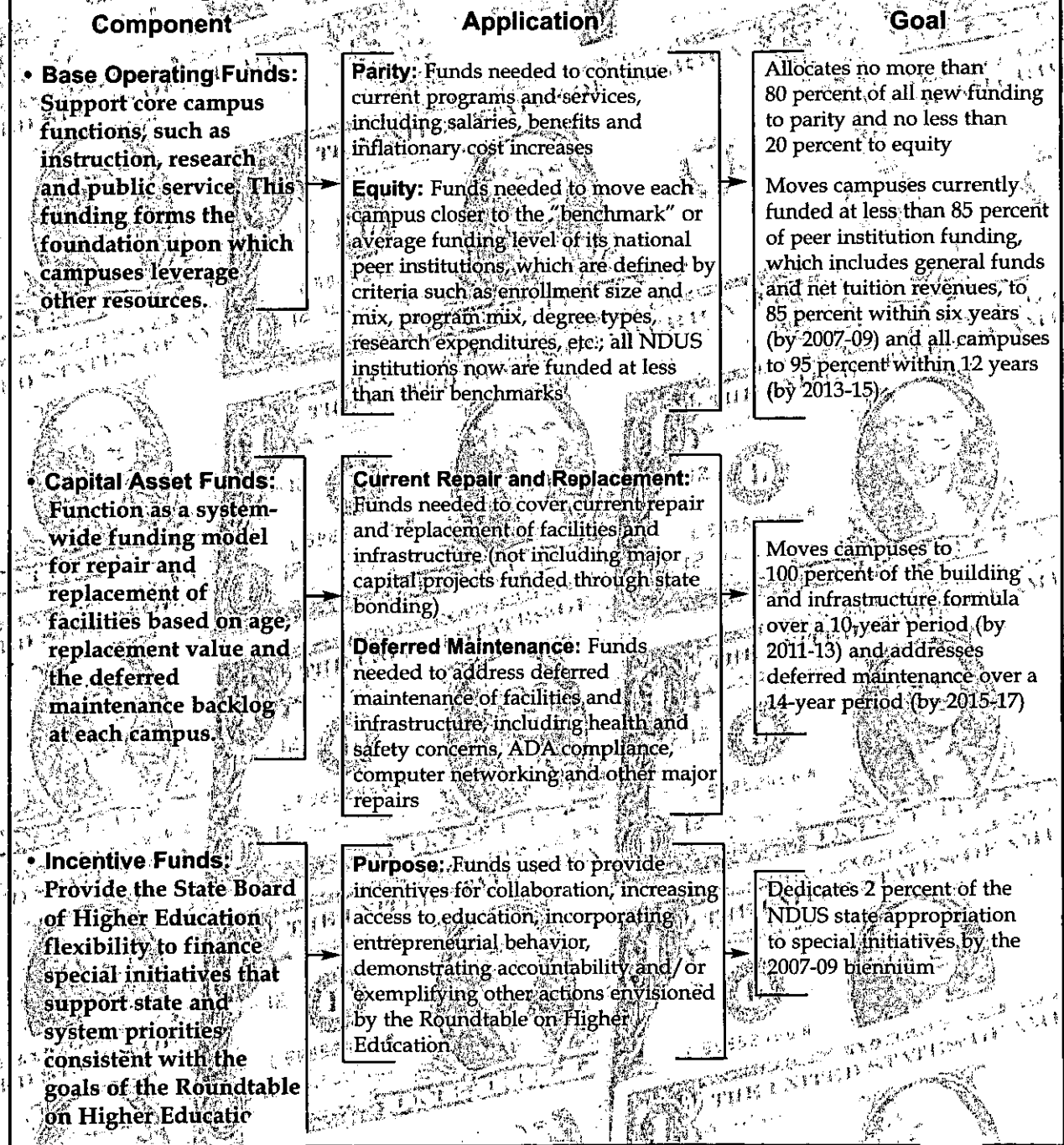
As envisioned by the 1999 Legislative Assembly, the Long-Term Finance Plan and its key components were developed at the direction of the Roundtable on Higher Education, a collaboration including representatives of the executive and legislative branches of government, the private sector and the North Dakota University System.

Details of this plan were ironed out with input from and consideration for all 11 NDUS campuses with the assistance of an external consultant specializing in higher education management; it was approved by the State Board of Higher Education in 2001.

Who Will Benefit?

The Roundtable on Higher Education called upon the University System to develop a dual mission, that of continuing to provide access to high-quality education while playing a stronger role in enhancing the economy of North Dakota. Both functions are essential to creating a brighter future for the state and its citizens. As a result, an investment in the University System is an investment in the future of all North Dakotans.

The Long-Term Finance Plan: Three Key Components



**NORTH DAKOTA UNIVERSITY SYSTEM
REQUEST/RESOURCE ALLOCATION MODEL
Needs-Based Budget Request (Based on 4% FY06 & 3% FY07 Salary Increases for 2005-07)**

	BSC	LRSC	WSC	NDU w/Medical	NDSU w/o Ag	NDSCS	DSU	MaSU	MiSU	VCSU	MISU-BC	TOTAL
1 2003-05 GF "Operating" base (excludes "Capital Assets" funding) 1/	\$15,612,327	\$5,032,682	1,436,977	16,633,402	\$70,694,066	\$23,839,431	\$13,669,533	\$8,602,335	\$25,890,346	\$11,304,672	\$4,102,856	\$300,818,627
2 98-99 Peer Benchmark Total Revenues per FTE per year -Total unrestricted state appropriation and fees only @100% of peer benchmark	\$7,750	\$9,250	\$7,500	\$13,250	\$10,500	\$8,500	\$7,500	\$9,000	\$8,500	\$9,000	\$9,000	
3 98-99 Peer Benchmark Total Revenues per FTE per year- average annual increase in CPI												
1999-2000 (revised - as of 11/25/03)	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
2000-2001 (revised - as of 11/25/03)	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
2001-2002 (as of 11/25/03)	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
2002-2003 (as of 11/25/03)	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
2003-2004 estimated	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
2004-2005 estimated	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
4 04-05 Adj Peer Benchmark Total Revenues per FTE per year (lines 2 x 3, compounded)	\$8,785	\$10,486	\$8,502	\$15,020	\$11,903	\$9,635	\$8,502	\$10,202	\$9,635	\$10,202	\$10,202	
5 Fall 2003 FTE students	2,668	760	692	11,585	10,181	2,125	1,971	681	2,989	826	465	34,943
6 Calculated Benchmark Funding at 100% per year (line 4 x 5)	\$23,439,122	\$7,972,593	\$5,886,136	\$174,001,599	\$121,180,727	\$20,478,578	\$16,757,210	\$6,947,738	\$28,800,409	\$8,427,066	\$4,740,650	\$418,631,828
7 % of total revenues to be paid by State of North Dakota	75.00%	75.00%	75.00%	60.00%	60.00%	75.00%	70.00%	70.00%	65.00%	70.00%	75.00%	
8 Annual Peer Benchmark State Support (line 6 x line 7)	\$17,579,342	\$5,979,445	\$4,414,602	\$104,400,959	\$72,708,436	\$15,358,934	\$11,730,047	\$4,863,417	\$18,720,266	\$5,898,946	\$3,555,487	\$265,209,881
9 Biennial Peer Benchmark State Support (line 8 x 2 years)	\$35,158,684	\$11,958,889	\$8,829,205	\$208,801,919	\$145,416,873	\$30,717,867	\$23,460,094	\$9,726,833	\$37,440,532	\$11,797,892	\$7,110,974	\$530,419,762
Percent 03-05 GF Base of biennial peer benchmark state support (line 11 / Line 9)	44.4%	42.1%	48.1%	55.9%	49.6%	77.6%	68.3%	88.4%	69.2%	95.8%	57.7%	56.7%
[FY] - Percent of peer benchmark as of 2001-03]	50.4%	48.0%	72.3%	65.7%	55.5%	84.1%	69.4%	93.1%	73.7%	97.4%	67.5%	64.7%
10 Biennial State GF Appropriation Increase Needed to Reach 100% (Line 9 less line 1)	\$19,546,357	\$6,926,207	\$392,228	\$92,188,517	\$74,722,807	\$6,878,436	\$9,790,561	\$1,124,498	\$11,550,186	\$493,220	\$3,008,118	\$229,601,135
Biennial State GF Appropriation Increase Needed to Reach 85% (Line 9 x 85% less line 1, but not < -0-)	\$14,272,554	\$5,132,374	\$2,067,847	\$60,848,229	\$52,910,276	\$2,270,756	\$8,271,547	\$0	\$5,934,106	\$0	\$1,941,472	\$151,649,161

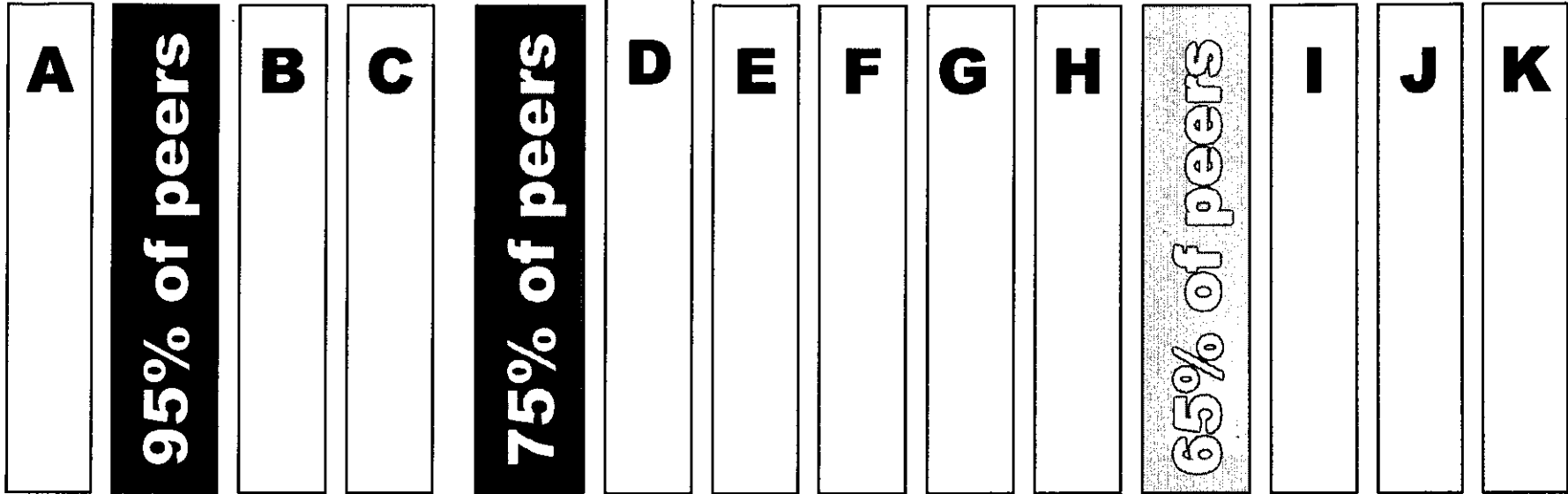
BUDGET REQUEST

12 2003-05 Adj "Operating" GF base as of 2/29/04 (excluding capital assets)	\$18,112,327	\$5,032,682	\$5,387,371	\$123,787,810	\$74,867,130	\$23,936,824	\$13,598,831	\$8,602,335	\$25,925,753	\$11,304,672	\$4,102,856	\$312,658,591
13 Less: System projects and one-time funding from SBHE block grants 2/	(500,000)	-	49,806	(7,154,408)	(4,173,064)	(97,393)	70,702		(35,407)			(11,839,984)
14 2003-05 Adjusted "Operating" GF base (line 12 less line 13)	\$15,612,327	\$5,032,682	\$5,436,977	\$116,633,402	\$70,694,066	\$23,839,431	\$13,669,533	\$8,602,335	\$25,890,346	\$11,304,672	\$4,102,856	\$300,818,627
15 Standard cost adjustment (SCA)-parity percentage	7.98%	6.31%	6.79%	6.85%	7.44%	6.21%	7.79%	6.51%	6.34%	6.20%	6.23%	
16 Standard cost adjustment (SCA)-parity (Line 14 x Line 15)	\$1,245,771	\$317,794	\$369,237	\$7,989,769	\$5,256,344	\$1,480,680	\$1,064,645	\$559,778	\$1,641,028	\$701,299	\$255,535	\$20,881,659
17 Equity - Phased implementation of target funding-Reach 85% in 6 yrs. (50% of Line 11)	\$7,136,277	\$2,566,187	\$1,033,923	\$30,424,114	\$26,455,138	\$1,135,378	\$3,135,773	\$0	\$2,967,053	\$0	\$970,736	\$75,824,580
18 Total Base Funding Increase Requested (Line 16 + 17)	\$8,382,048	\$2,883,981	\$1,403,161	\$38,413,884	\$31,711,482	\$2,616,038	\$4,200,418	\$559,778	\$4,608,079	\$701,299	\$1,226,271	\$96,706,439
19 Total Base Request (Line 14 + 18)	\$23,994,375	\$7,916,663	\$6,840,138	\$155,047,286	\$102,405,548	\$26,455,469	\$17,869,951	\$9,162,113	\$30,498,425	\$12,005,971	\$5,329,127	\$397,525,066

Notes:

1/ Line 1 includes 03-05 operations line appropriation plus \$2,713,829 for UND and \$3,820,027 for NDSU Computer Centers (for allocations to 2003-05 technology pool appropriation to the NDUS Office). It also includes transfer of base appropriation for Statewide Psychiatric Nursing Education Program from UND (\$409,418) to the NDUS Office. It excludes the following: \$500,000 one-time match to BSC for Energy Training Tech Center; \$30,000 NDSCS for Community College Consortium ("system project"); \$395,000 one-time funding to the UND Med School (per Sec 28, HB1003); \$750,000 Ctr for Genetic Research at NDSU; \$218,655 from NDSCS for Articulation and Transfer funding, that will be included in the NDUS Office in 2005-07.

2/ Line 13 includes adjustments for the following amounts that are included in the 2003-05 adjusted base (line 12): \$500,000 one-time match to BSC for Energy Training Tech Center; UND - \$6,744,990 (\$3,850,883-HECN, \$1,333,780-IVN, \$511,920-ODIN), \$75,000 one-time funding from Board Initiative Funds, \$578,417 one-time and \$395,000-Med School for one-time funding per Sec 28, HB1003); NDSU - \$3,470,144 (HECN) & \$750,000 Ctr for Genetic Research; NDSCS - \$218,655 (Articulation and Transfer funding to be transferred to NDUS Office in 05-07); and MiSU - \$156,175 (NDUS-O funding from the FY04 technology pool). It also includes transfer of base appropriation for Statewide Psychiatric Nursing Education Program from UND (\$409,418) to the following: WSC \$49,606, NDSU \$47,080, NDSCS \$121,262, DSU \$70,702 and MiSU \$120,768;



Current status

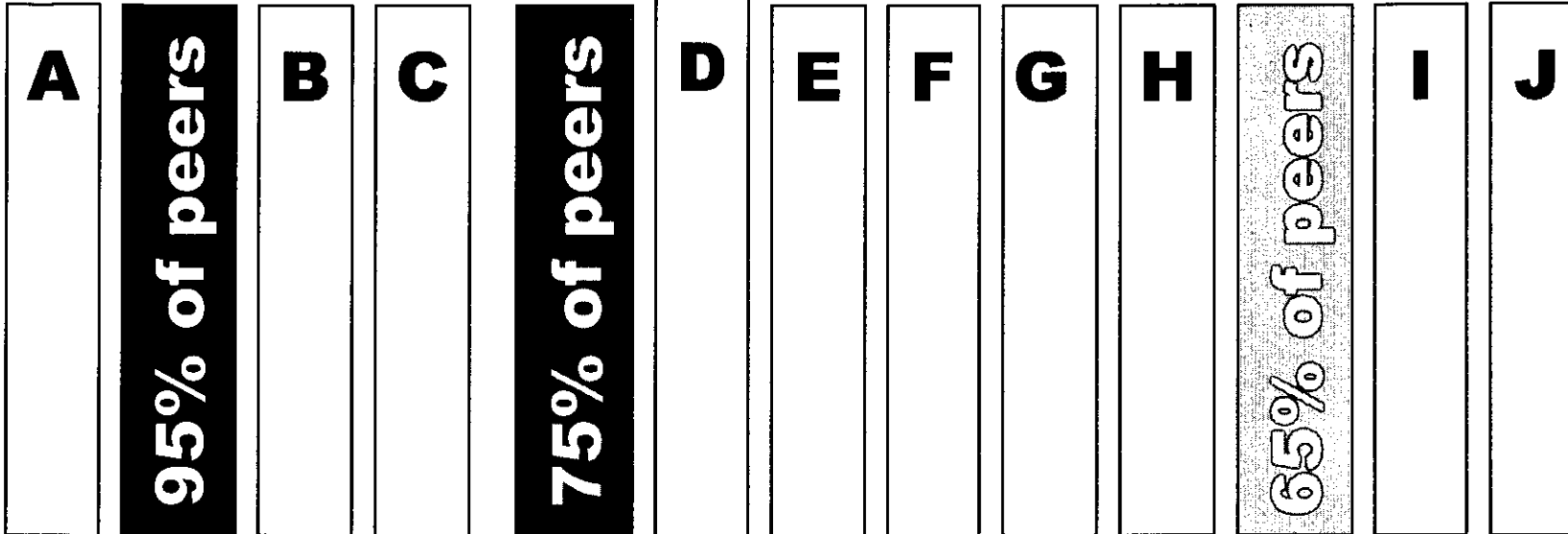
Letters A-K represent institutions

NEW MONEY

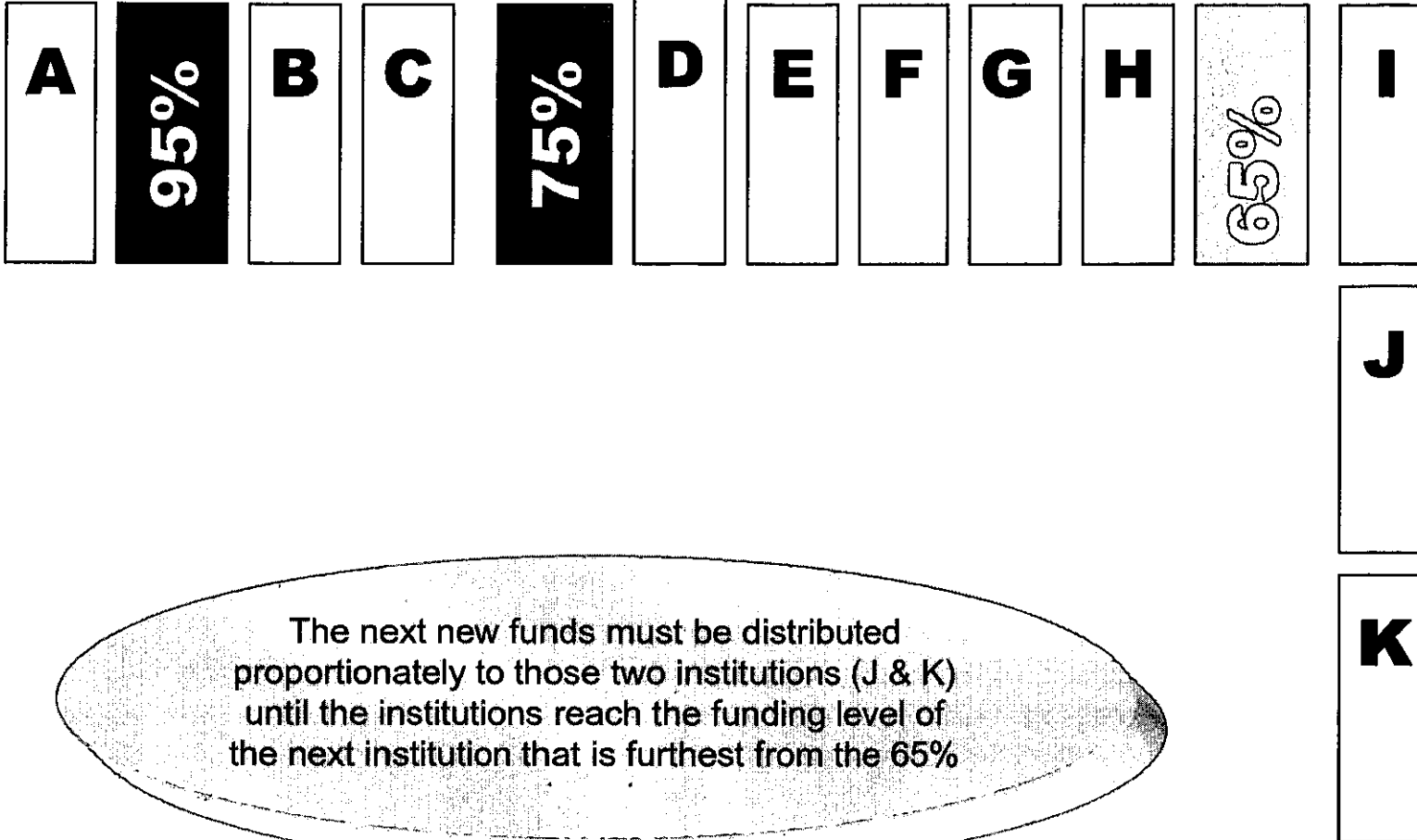
When any under 65% of peers
40% to equity and 60% to parity

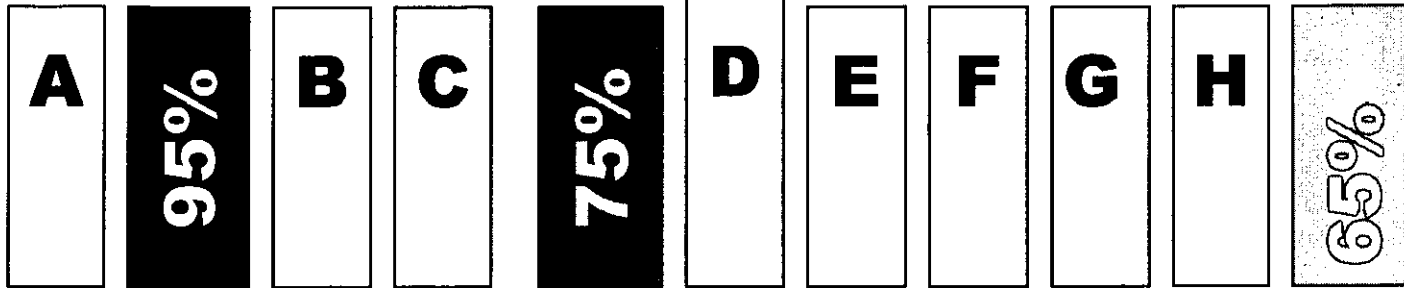
When any under 75% of peers
30% to equity and 70% to parity

When any under 95% equity
20% to equity and 80% to parity



First, new funds are distributed to the institution that is furthest from the 65% target until that institution reaches the funding level of the next institution. Here K catches up to J.



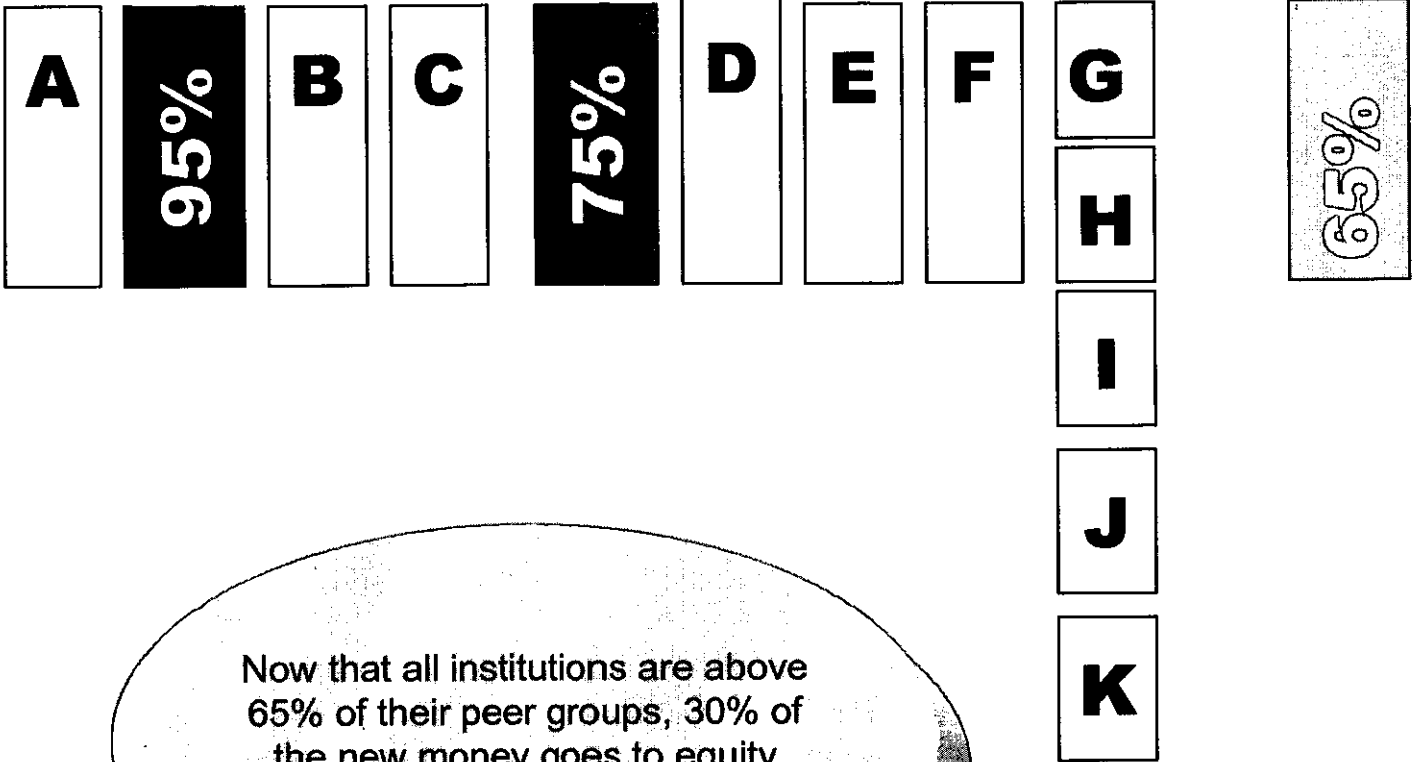


Next, the funds must be distributed proportionately to those three institutions until they reach the funding level of the next institution (in this example H)

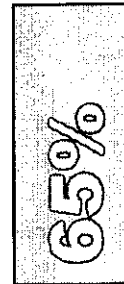
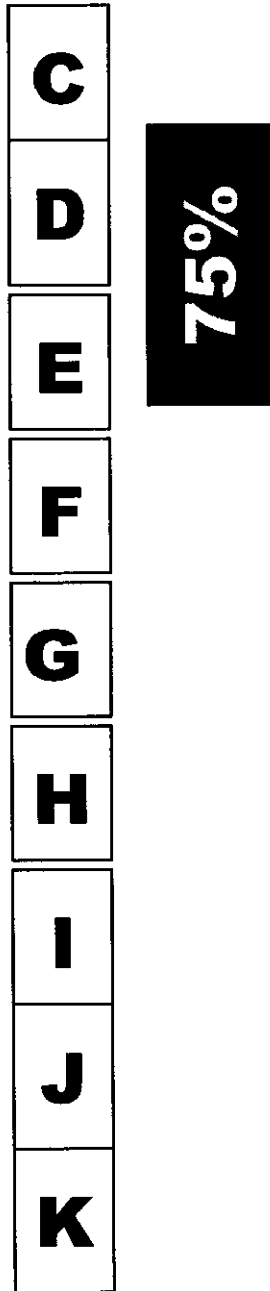
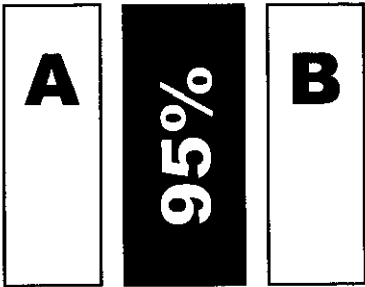
I

J

K



Now that all institutions are above 65% of their peer groups, 30% of the new money goes to equity and 70% to parity.



Once all institutions are above 75% of their peer groups then 20% of the new money will go to equity and 80% to parity.

A B C D E F G H I J K

95%

75%

65%

**Everyone
above 95%
equity goal**

Bismarck State College
North Dakota Senate Bill No. 2206
Senate Education Committee, January 25, 2005

David E. Farnsworth
Power Generation Leader, Coal Creek Station
Great River Energy

Dear Chairman and Representatives of the Senate Education Committee,

My name is David Farnsworth. I am the Power Generation Leader at Coal Creek Station, North Dakota's largest power station. In my position I have oversight of many of the operations, maintenance and construction activities at the facility. I have been asked to testify before the committee to discuss the ongoing and deepening partnership my company Great River Energy has with Bismarck State College (BSC) and the role BSC is playing in helping to supply the skilled labor we need to successfully run our power plants and transmission systems.

Several years ago we in North Dakota's energy industry began taking a hard look at the future of our companies' workforce in the face of an aging population, increasingly complex technology, and the potential for expansion of the energy industry within the state. We recognized that the vast majority of our skilled workforce would be retiring within the next 15 years and that significant efforts would be needed to ensure an adequate supply of workers trained in the latest technology would be there for us to transition into the future. Although the energy industry pays some of the highest wages in North Dakota, the future demand for workers was likely to outstrip the supply of skilled workers that could supply the operational, maintenance, and construction needs of our power plants, pipelines, refineries, mines, and transmission systems. (See attached graph of workforce demographics and illustration of North Dakota energy worker wages).

Bismarck State College has been playing an integral role in our efforts to prepare for the future. Their physical location near the North Dakota power plants and oil fields has created great opportunities for partnerships. I want to mention a few of the ways in which my company, Great River Energy, has and hopes to partner with Bismarck State College in strengthening the region's future energy workforce:

Since the year 2000 Great River Energy has invested about \$1.2 million in the construction and upgrade of a power plant simulator which has the latest controls technology. The simulator is housed at Bismarck State College and staffed by a BSC instructor with two decades of control room experience in the industry. The simulator is used not only to train new students enrolled in the Power Plant

Technology program, but also in the refresher training of current control room operators and engineers at the power plants.

Great River Energy, along with others in the North Dakota energy industry, has worked actively with Bismarck State College in the curriculum development of vocational training that will benefit the industry. For example, in February 2004, the energy industry provided BSC with recommendations to create a Plant Mechanic program, create an Instrumentation and Control Technician program, and to expand the capacity to train welders at the college. The curriculum development is currently being developed with the participation of the energy, manufacturing and food processing industries in North Dakota. As with any vocational program, these programs require a significant investment in staff, materials, equipment, and facilities. Industry has demonstrated a large commitment in financial resources, time, materials, and expertise in bringing these programs to fruition. Major equipment vendors will be asked to contribute equipment and material, and students will be asked to share in the cost of these programs. It is reasonable that the State of North Dakota also partner in this effort to support the growth of high-paying jobs within our state. The approval of Senate Bill 2206 could provide a funding source for these program enhancements.

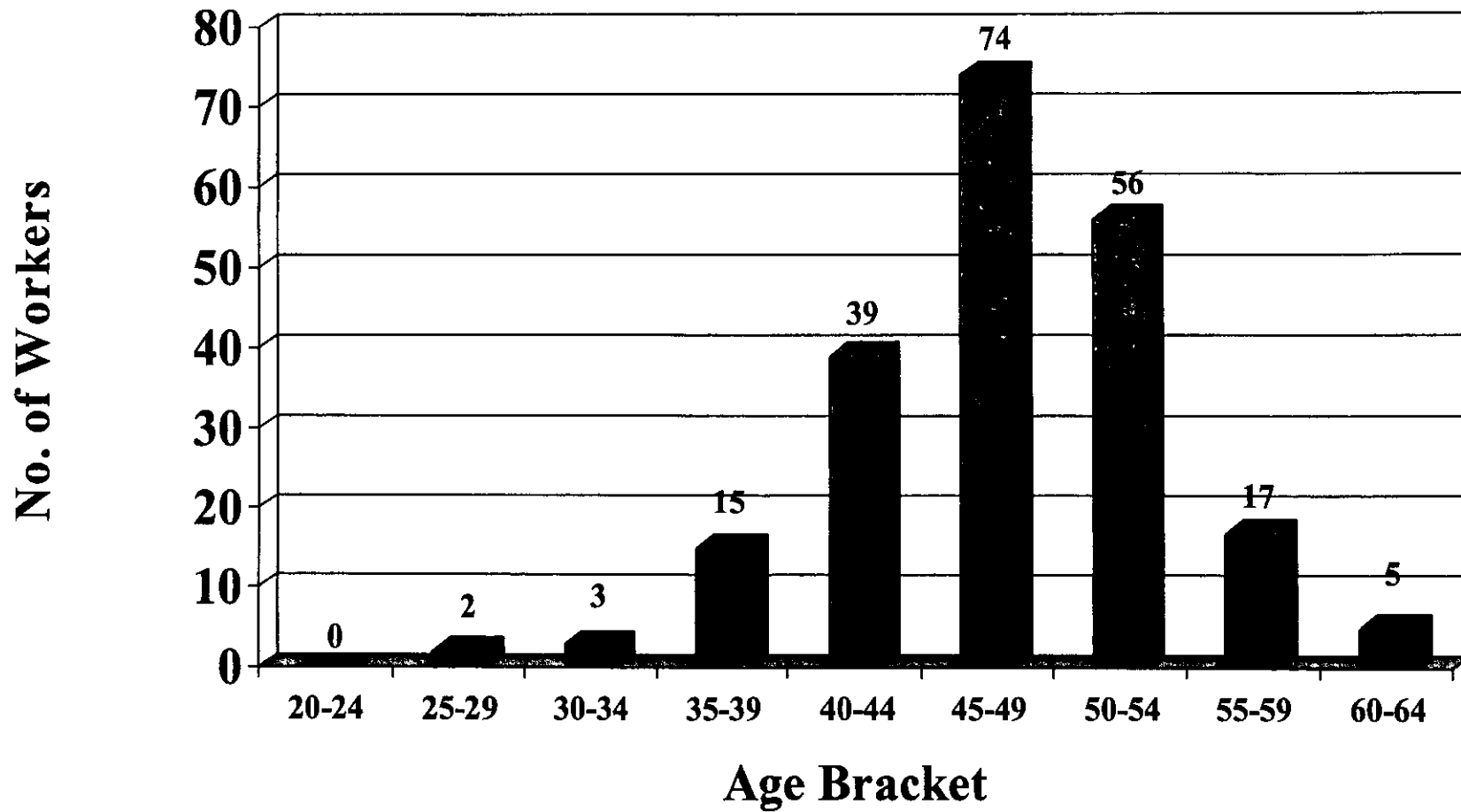
In summary, the North Dakota energy industry stands behind the effort of Bismarck State College in meeting the needs of our industry. We believe additional state support for Bismarck State College will help us to meet the needs of our customers and bring significant benefits to the State of North Dakota. For our industry, additional financial assistance to Bismarck State College would support our efforts at remaining a low-cost producer and deliverer of reliable power for the future. It would support the marketing of North Dakota's energy skills at a national level. And it would support the development of skills needed to provide our children with high-paying jobs in North Dakota at a time when many in our industry will be leaving the workforce.

**NORTH DAKOTA UNIVERSITY SYSTEM
CAMPUS FUNDING COMPARISONS**

Institution	% of Peers	\$ to bring to 55% of peers	% of cost paid by students
LRSC	42.1%	\$1,381,736	52.6%
BSC	44.4%	\$3,271,746	51.4%
NDSU	48.6%	\$7,605,130	50.2%
UND	56.1%		45.3%
MISU-BC	57.7%		35.3%
DSU	58.0%		43.4%
WSC	60.7%		39.7%
MISU	68.8%		42.2%
NDSCS	77.2%		34.6%
MaSU	88.4%		29.7%
VCSU	95.8%		34.4%
TOTAL		\$12,258,612	

Data source: NDUS

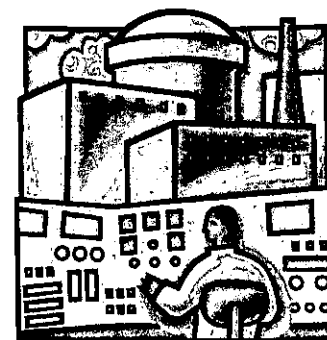
Demographics of Typical ND Power Plant Snapshot taken 3/05/2004



High Paying Jobs for ND Young People

(Wages stated below include benefits)

- Skilled labor jobs in energy industry typically run from \$26/hr for laborers to \$44/hr for control room operators
- Local construction trades are also well-paid (year 2004 wage rates shown below – Source: ICI)
 - Laborer \$23/hr
 - Electricians \$37/hr
 - Plumbers/Pipe fitters \$37/hr
 - Boilermakers \$43/hr
- Advancement/Educational opportunities



NORTH DAKOTA UNIVERSITY SYSTEM

SBHE Approved Legislative Funding Plan

Priority One: Full funding of the priorities in the SBHE state-linked budget request.

- Restore reduction in campus operations pool \$2,000,000
- Restore reduction in extraordinary repair pool \$1,158,875
- UND O'Kelly Hall and Ireland Lab Renovation \$3,500,000
- MISU-BC Thatcher Hall Addition \$2,500,000

Priority Two: Provide additional funding of \$2,998,000 to address campus parity (increase parity funding from 80.7% to 92.2%) and equity needs addressed in the Long-term Finance Plan. This increase would provide a total general fund budget for the NDUS equivalent to 21% of the state's recurring revenues and additional parity & equity funding will help to minimize the amount of tuition increases required next biennium.

- Campus parity \$2,398,400
- Campus equity \$ 599,600

Priority Three: Provide additional funding of \$27.2 million to address other SBHE priorities, including faculty and staff salaries, and to begin to make significant progress on the long-term finance plan goals, including campus equity for those campuses that are furthest from their benchmark targets and state/student share targets.

- Fund remaining balance of state share of parity at 100% \$1,620,323
- Additional funding to increase faculty and staff salaries from 4 and 3% to 4.2% per year \$2,162,144
- Provide total funding of \$1.4 million for SBHE Initiatives to address statewide goals and priorities \$ 500,000
- Increase in campus capital asset funding to address regular facility repair and maintenance and outstanding deferred maintenance \$ 1,000,000
- Equity funding to bring all campuses to a minimum of 45% of their peer benchmark by 07-09 \$ 11,438
- Equity funding to bring all campuses to a minimum of 50% of their peer benchmark by 07-09 \$ 829,276

- Equity funding to bring all campuses to a minimum of 55% of their peer benchmark by 07-09 \$ 4,140,462
- Equity funding to bring all campuses to a minimum of 60% of their peer benchmark by 07-09 \$ 7,229,428
- Ten percent increase in funding for the Extension Service, Research Centers, NCI, and UGPTI \$ 4,677,327
- Equity funding to bring all campuses to a minimum of 62.3% of their peer benchmark by 07-09 \$ 5,035,219

Priority Four: Funding to meet campus needs consistent with the Long-term Finance goals and the Board's constitutional responsibility to submit a budget which addresses the needs of the campuses.

- Equity funding to bring all campuses to a minimum of 85% of their peer benchmark by 07-09 \$ 53,763,368
- Increase in campus capital asset funding to address regular facility repair and maintenance and outstanding deferred maintenance \$ 11,569,582
- Provide total funding of \$3.66 million for SBHE Initiatives to address statewide goals and priorities \$ 2,250,202
- Funding to provide State Forest Service, Extension Service, Research Centers, NCI, and UGPTI with a 20% total increase \$ 5,251,511

NORTH DAKOTA UNIVERSITY SYSTEM

Testimony to Senate Education Committee on SB2206

ROBERT L. POTTS, CHANCELLOR

January 25, 2005

Mr. Chairman and Members of the Committee, I am Robert Potts, Chancellor of the NDUS. I appear before you today in support of SB2206, with suggested amendments, which are attached to my testimony.

The budget requests submitted by the SBHE for this session of the Legislative Assembly recognize investments in the long-term finance plan, for both parity and equity, as a top priority of the NDUS in the 2005-07 biennium. The long-term finance plan is an outgrowth of a 1999 study resolution passed by the Legislative Assembly for the purposes of defining the "expectations of the NDUS in meeting the state's needs in the twenty-first century, the funding methodology needed to meet these expectations and needs, and an accountability system and reporting methodology for the university system." The Roundtable on Higher Education was ultimately charged with this study task. Among the several recommendations, the Roundtable specifically recommended the following as it relates to funding and rewards:

"A funding mechanism structured around three primary budgetary components:

- a. Base funding used to sustain the academic capacity of each campus. The adequacy of base funding for each institution is measured by comparison to other external benchmarks (i.e. peer institutions in other states);*
- b. Incentive funding which creates incentives and/or rewards in furtherance of the State's and Roundtable's priorities;*
- c. Asset funding which support the maintenance of the physical assets of the State's university system."*

As a result of this recommendation, the NDUS Long-Term Finance plan was developed over a period of several months and through consultation with the campuses in nearly 60 meetings.

The Executive Budget recommendation includes \$15 million for parity or for the cost to continue (i.e. inflation, salary increases and health insurance increases), which covers 73% of total state parity costs, and also \$3.8 million for equity, providing minimal progress on benchmark funding differentials. Consistent with the original long-term finance plan, all campuses, currently below the initial 85% target share in this \$3.8 million in equity funding. Those that are furthest from their benchmark receive the largest portion of the dollars.

SB2206 provides an additional \$12,258,612 in state general fund support for three campuses, NDSU, BSC and LRSC, to bring these campuses to 55% of their benchmarks in one biennium (during 2005-07). While the additional funding and the recognition of equity funding as a priority expressed in SB2206 are greatly appreciated, this approach is inconsistent with the SBHE's approved funding plan and priorities. We would strongly encourage and recommend the committee consider adding another \$4.2 million, for a total of \$16.4 million, to be used to fund the SBHE's priorities for the entities in SB2003 (campuses, Medical School, NDUS Office, Forest Service) and SB2020 (NDSU Ag Experiment and Extension). This would include funding for the first of two installment payments, to bring all campuses to a minimum of 55% of their peer benchmarks by 2007-09. Under this proposal BSC (\$1,533,073), LRSC (\$657,540) and NDSU (\$3,311,283) would be the largest beneficiaries of equity funding. In addition, these three campuses, as well as the others, would share in additional parity funding and capital asset funding needed to address current operation and facility needs. This approach, which was formulated and approved after significant consultation and discussion before I became chancellor, in part, deviates from the originally approved long-term finance plan wherein every campus below their 85% target shares in equity funding. This plan accelerates equity funding allocations to these three campuses by allocating the largest share of equity funding only to BSC, LRSC and NDSU.

This amendment, if adopted, would accomplish the following: 1.) honor the funding priorities established by the Board; 2.) recognize and address the funding needs of all campuses; and, 3.) demonstrate progress on the equity differentials which exist at NDSU, BSC and LRSC... a win-win situation for all.

I have also attached a copy of the Board's approved legislative funding plan, which is the basis for this request. It is perhaps more detail than you need, but I think you can see from the list that the needs are great across the System and all campuses. While the NDUS appreciates the significant past efforts of the legislature, we believe more is required if we are to meet student's learning needs of the twenty-first century and the economic challenges of the state. Let me provide you with the following examples to illustrate our funding challenges:

- While ND ranks high in per capita spending for higher education (#5 in 2004), we continue to rank low in per student funding (#40 in 2002—most current figure available);
- Currently, ND faculty salaries lag regional averages by 22 to 29 percent, while staff salaries lag 4 to 23 percent. The August 27, 2004 edition of *The Chronicle of Higher Education* showed North Dakota 50th among the 50 states in average pay of full-time faculty members.
- In 2003-05, state funding to support higher education's primary mission, learning, research and public service, was reduced by \$9.5 million from the previous biennium.

- Students continue to pick up a larger share of the cost of education, moving us further from our state/student share targets outlined in the long-term finance plan. For example, the goal, at the two-year campuses, is for students to cover 25% and the state 75%. Currently, students pay the following percentage: BSC and LRSC 56%; MiSU-BC 37%; NDSCS 39%; WSC 48%. A similar situation exists at all of the NDUS campuses.

We need your help and hope that you agree that an investment in the NDUS is an investment in a brighter future for ND. Thank you for your time and thoughtful consideration of the proposed amendment. I would be very happy to answer any questions.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2206

Page 1, line 1, replace "equity" with "additional" and remove "certain"

Page 1, line 6, remove "for the"

Page 1, remove line 7

Page 1, line 8, remove "fifty-five percent of their peer institutions"

Page 1, replace lines 10 through 13 with:

"NORTH DAKOTA UNIVERSITY SYSTEM OFFICE

Board Initiatives	\$ 500,000
System Governance	<u>69,013</u>
Total general fund appropriation	\$ 569,013

BISMARCK STATE COLLEGE

Operations	\$1,956,552
Capital assets	<u>65,967</u>
Total general fund appropriation	\$2,022,519

LAKE REGION STATE COLLEGE

Operations	\$ 759,313
Capital assets	<u>29,825</u>
Total general fund appropriation	\$ 789,138

WILLISTON STATE COLLEGE

Operations	\$ 148,997
Capital assets	<u>46,891</u>
Total general fund appropriation	\$ 195,888

UNIVERSITY OF NORTH DAKOTA

Operations	\$2,635,347
Capital assets	<u>887,689</u>
Total general fund appropriation	\$3,523,036

NORTH DAKOTA STATE UNIVERSITY

Operations	\$5,236,678
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Capital assets	<u>540,337</u>
Total general fund appropriation	\$5,777,015

NORTH DAKOTA STATE COLLEGE OF SCIENCE

Operations	\$ 554,706
Capital assets	<u>145,776</u>
Total general fund appropriation	\$ 700,482

DICKINSON STATE UNIVERSITY

Operations	\$ 425,824
Capital assets	<u>98,438</u>
Total general fund appropriation	\$ 524,262

MAYVILLE STATE UNIVERSITY

Operations	\$ 202,080
Capital assets	<u>82,413</u>
Total general fund appropriation	\$ 284,493

MINOT STATE UNIVERSITY

Operations	\$ 652,451
Capital assets	<u>133,008</u>
Total general fund appropriation	\$ 785,459

VALLEY CITY STATE UNIVERSITY

Operations	\$ 257,555
Capital assets	<u>87,424</u>
Total general fund appropriation	\$ 344,979

MINOT STATE UNIVERSITY - BOTTINEAU

Operations	\$ 106,435
Capital assets	<u>21,214</u>
Total general fund appropriation	\$ 127,649

UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES

Operations	\$ <u>750,162</u>
Total general fund appropriation	\$ 750,162

NORTH DAKOTA FOREST SERVICE

Operations	\$ 6,530
Capital assets	<u>5,577</u>
Total general fund appropriation	\$ 12,107

Grand total general fund appropriation	\$16,406,202''
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SENATE EDUCATION COMMITTEE HEARINGS
SENATE BILL 2206

January 25, 2005

Chairman Freborg and members of the Education Committee, for the record, my name is Sharlene Windjue. I am a second year student at Lake Region State College with plans for a career in a medical field, perhaps in radiology. I am here in support of Senate Bill 2206.

My experience at Lake Region State College has been great! My instructors are excellent, staff is friendly and helpful, and the campus is cozy and attractive.

So, you may wonder, what is the problem? Despite my positive experience I am concerned that Lake Region State College students are getting shortchanged. Compared to other colleges in the state and compared to 10 similar colleges picked as "peer institutions" Lake Region State College is drastically under-funded. When I started at Lake Region I noticed that many of the staff wore a lot of hats. The career counselor, for example, is also the student senate advisor, student life coordinator, director of housing and test center director. The Registrar also teaches math. Two secretaries keep track of all admission and enrollment records for the 1,700 students served each year, plus they send letters to prospective students, process veteran's certifications, answer transcript requests, help students register for classes, answer the phones, greet the public and on and on. As my friends and I have been checking out transfer colleges, we have noticed that at other campuses there are many more people to do these tasks. The equity dollars in Bill 2206 will provide relief for LRSC staff who are stretched to the max, trying to serve so many students with so few people.

Students at LRSC look at the equity funding problem from yet another perspective. Our tuition covers a much greater portion of the cost of our education than does the tuition paid by students at other campuses in North Dakota. At Lake Region, student dollars pay 52.6% of the educational costs – the highest ratio in the state (see chart). The tuition we pay should be matched by state dollars more equitably. The North Dakota University System set a goal to have tuition cover only 25% of our educational costs. Reaching this goal is, no doubt, too great a leap for a single budget, but equity funding provided in Bill 2006 will help to reduce the huge gap between LRSC and many other NDUS campuses.

In closing, I want to say that students at Lake Region State College are getting an excellent education. With your help to make funding more equitable, our great community college will be able to do an even better job of serving students and meeting the educational needs of our region. Thank you!

SENATE EDUCATION COMMITTEE HEARINGS
SENATE BILL 2206 – January 25, 2005

Chairman Freborg and members of the Committee, I am David Oehlke, a resident business owner and insurance agent from Devils Lake and the immediate past president of the Lake Region Community College Foundation. Thank you for hearing my testimony.

The state of North Dakota is truly blessed to have as many educational institutions and opportunities for its people to advance their learning as they do. Yours and my ancestors recognized the value of a good education and created the ways and means for all who wanted to attain their educational desires. It is truly incredible that today, from Lake Region State College in Devils Lake, a person is able to attain a 4 year degree without leaving our small community! LRSC's outreach allows many in even smaller communities the ability to advance their learning, their careers and their incomes – and why is that? It is because WE CARE!

When I say we care, I include our entire Lake Region area as well as the staff and students that directly benefit from that caring attitude. We are so fortunate to live in a state that recognizes the values derived by all of our educational institutions.

In the 7 years that I have been involved with our foundation at Lake Region State College, I have seen the need for more and more fund raising to help support students tuition through scholarships. Still, it has been necessary for students to share a larger portion of the cost of their education than ever before. On top of that, the people that are sharing their expertise with those students(their teachers) are also receiving less than average for their efforts.

THE GOOD NEWS IS: Help is available through SB2206. SB2206 will allow us at Lake Region State College and other affected state institutions to do our job better and with more pride than ever before because the people of ND will know WE CARE.

Thank you.

Senate Bill 2206

Senate Education Committee Hearing
Layton Freborg, Chair

Dr. Charles Harter
Accounting Professor and Presiding Officer
of the NDSU University Senate
Phone: (701) 231-8970
E-mail: Charles.Harter@ndsu.edu

Accountability Measures Report - 2003

North Dakota University System

<http://www.ndus.nodak.edu/Upload/allfile.asp?id=465&tbi=MultiUse>

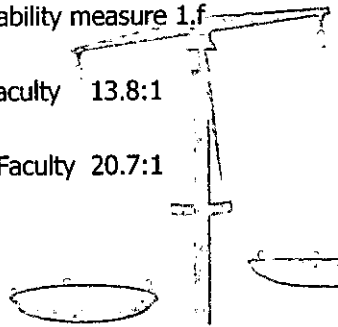
Aggregation

- Student to Faculty Ratio according to the report:
- Doctoral (NDSU & UND) 16.3:1
- Comprehensive (Minot) 13.6:1
- 4 year (DSU, MaSU, VCSU) 16.1:1
- 2 year (BSC, LRSC, MISU-BC, NDSCS, WSC) 15.8:1

Student to Faculty at NDSU and UND

Accountability measure 1.f

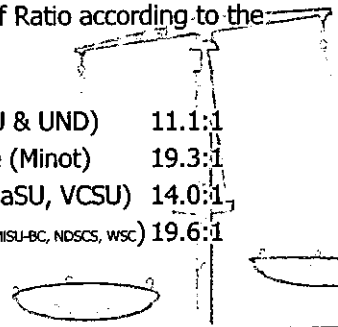
- UND Student:Faculty 13.8:1
- NDSU Student:Faculty 20.7:1



Aggregation

■ Student to Staff Ratio according to the report:

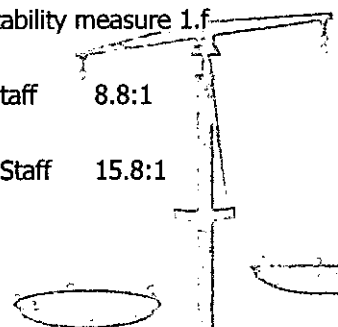
- Doctoral (NDSU & UND) 11.1:1
- Comprehensive (Minot) 19.3:1
- 4 year (DSU, MaSU, VCSU) 14.0:1
- 2 year (BSC, LRSC, MISU-BC, NDSCS, WSC) 19.6:1



Student to Staff at NDSU and UND

Accountability measure 1.f

- UND Student:Staff 8.8:1
- NDSU Student:Staff 15.8:1

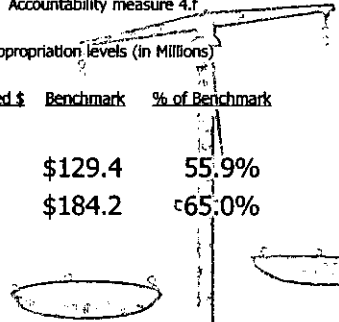


Different Benchmarks

Accountability measure 4.f

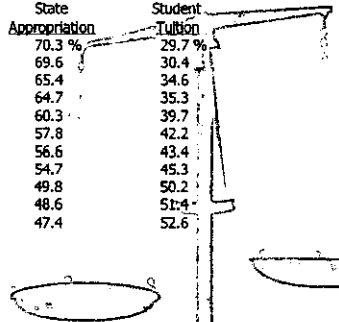
General fund appropriation levels (in Millions)

	Appropriated \$	Benchmark	% of Benchmark
■ NDSU	\$ 72.4	\$129.4	55.9%
■ UND	\$119.7	\$184.2	65.0%



Proportion of Funding provided by State appropriations and by Student Tuition

	State Appropriation	Student Tuition
Mayville St.	70.3 %	29.7 %
Valley City	69.6	30.4
NDSCS	65.4	34.6
Bottineau	64.7	35.3
Williston	60.3	39.7
Minot St.	57.8	42.2
Dickinson St.	56.6	43.4
UND	54.7	45.3
NDSU	49.8	50.2
Bismarck St.	48.6	51.4
Lake Region	47.4	52.6

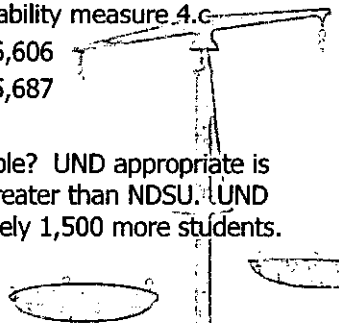


Reported GF/student

Accountability measure 4.c

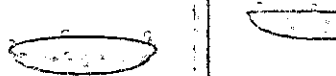
■ NDSU	\$6,606
■ UND	\$5,687

How is this possible? UND appropriate is \$47.3 million greater than NDSU. UND has approximately 1,500 more students.



Reported GF/student

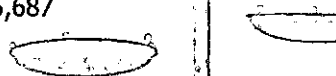
- NDSU – Numerator includes \$26 million for extension service, experiment station, forestry service, and transportation institute.
- UND – Numerator reduced by subtracting appropriation for Medical school



Reported GF/student

- Fair comparison – exclude extension service, experiment station, forestry service, and transportation institute from NDSU, and exclude medical school from UND.

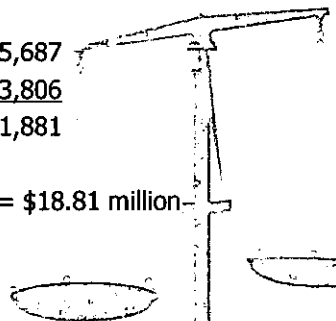
- NDSU \$3,806
- UND \$5,687



Shortfall

- UND \$5,687
- NDSU \$3,806
- difference \$1,881

$\$1,881 \times 10,000 = \18.81 million



Summary

The inequitable allocation of funds to UND and NDSU has created a disparity between the institutions:

- Student:faculty ratios
- Student:staff ratios
- State appropriations per FTE student
- Proportion of funding from the state and from students



**SENATE EDUCATION COMMITTEE HEARINGS
SENATE BILL 2206**

January 25, 2005

For the record, my name is Rick McAllister, and I am President of the Faculty Senate at Lake Region State College. Chairman Freborg and members of the Senate Education Committee, I am here on behalf of the faculty and staff of Lake Region State College to testify in support of Senate Bill 2206 related to equity funding for institutions of higher education.

Equity funding is a major component of higher education's Long-Range Finance Plan. The 1999 Legislative Assembly, through the Legislative Council, asked the interim Higher Education Committee to define a clear, agreed-upon set of expectations and to develop the tools needed to meet those expectations, including a long-term finance plan. The Long-Term Finance Plan (*The NDUS Long-Term Finance Plan, North Dakota University System*) and its key components were developed at the direction of the Roundtable on Higher Education, a collaboration including representatives of the executive and legislative branches of government, the private sector, and the North Dakota University System. The plan compares funding levels of NDUS institutions to similar institutions nationwide, rather than to one another. One major goal was to move campuses that are currently less than 85 percent of peer institution funding—which includes general funds and net tuition revenues—to 85 percent within six years (by 2007-09) and all campuses to 95 percent within 12 years (by 2013-15). Lake Region State College is the furthest from its peer, currently at 42.1 percent of its peer funding (Appendix 1-Equity). That translates into a difference of \$6,926,207 in state appropriation funding (Appendix 2-NDUS Resource Allocation Model). The goal of the Long-Term Finance Plan is for the state's community colleges to have 75 percent of its budget come from state appropriations and 25 percent from tuition (Appendix 3-Optimal State Appropriation and Tuition Share). Currently, tuition collections represent 49.79 percent of available resources for salaries, operations, and equipment (Appendix 4-Tuition as a Percentage of Core Mission).

Because of this shortfall in state general funding, Lake Region State College has had to sustain operations by charging much higher tuition than similar community colleges—LRSC tuition and fees are \$3,065, and the national average is \$1,905—and by sustaining enrollments with fewer faculty and staff to support the students (Appendix 5-LRSC Tuition vs. National Tuition). Lake Region State College has the second-highest ratio of students to staff—23.1 to 1—of any of NDUS institution (Appendix 6-Ratio: Students to Staff) and fourth-highest ratio of students to faculty—17.4 to 1 (Appendix 7-Ratio: Students to Faculty). The highest ratio of students to faculty is 20.7 to 1, and the lowest is 12.9 to 1. The effect of this level of funding has been extremely heavy workloads for personnel. During installation of the new People Soft computing system, the pressure became so severe that the administration made the decision to add three positions with only two years short-term funding to support the positions. This is not a good fiscal decision. We must have equity funding!

One of the basic principles growing out of the Higher Education Roundtable was that higher education should become more entrepreneurial and assist in growing the state economy. College budgets could expect to grow with the state's economy. The state's economy has grown, and Lake Region State College has contributed to that growth by generating over 50 percent of its current operations, salary, and equipment budget through tuition. We are asking that we share in the state economic growth by receiving all of the funding included in our budget request and sufficient equity funding to bring us to a minimum of 55 percent of our peer college funding levels.

Appendix

Equity

- LRSC is the furthest of any NDUS institution from its peers as a percentage of state appropriation support.

LRSC is at only
42.1%
of its peer benchmark.

North Dakota University System Resource Allocation Model

	BSC	LRSC	WSC	UND w/Medical	NDSU w/o Ag	NDSCS	DSU	MaSU	MISU	VCSU	MISU-B
2003-05 GF "Operating" base (excludes "Capital Assets" funding)	\$15,612,327	\$5,032,682	\$5,357,371	\$117,042,820	\$70,646,986	\$23,718,169	\$13,598,831	\$8,602,335	\$25,769,578	\$11,304,672	\$4,102,856
Peer Benchmark Total Revenues per FTE per year	\$7,750	\$9,250	\$7,500	\$13,250	\$10,500	\$8,500	\$7,500	\$9,000	\$8,500	\$9,000	\$9,000
04-05 Adjusted Peer Benchmark Total Revenues per FTE per year	\$8,785	\$10,486	\$8,502	\$15,020	\$11,903	\$9,635	\$8,502	\$10,202	\$9,635	\$10,202	\$10,202
Fall 2003 FTE students	2,668	760	692	11,585	10,181	2,125	1,971	681	2,989	826	465
Calculated Benchmark Funding at 100% per year	\$23,439,122	\$7,972,593	\$5,886,136	\$174,001,599	\$121,180,727	\$20,478,578	\$16,757,210	\$6,947,738	\$28,800,409	\$8,427,066	\$4,740,650
% of total revenues to be paid by State of North Dakota	75.00%	75.00%	75.00%	60.00%	60.00%	75.00%	70.00%	70.00%	65.00%	70.00%	75.00%
Annual Peer Benchmark State Support	\$17,579,342	\$5,979,445	\$4,414,602	\$104,400,959	\$72,708,436	\$15,358,934	\$11,730,047	\$4,863,417	\$18,720,266	\$5,898,946	\$355,487
Biennial Peer Benchmark State Support	\$35,158,684	\$11,958,889	\$8,829,205	\$208,801,919	\$145,416,873	\$30,717,867	\$23,460,094	\$9,726,833	\$37,440,532	\$11,797,892	\$7,110,974

Optimal State Appropriation and Tuition Share

A determination was made within the long-term financing plan that the optimal share of support from state appropriations and tuition should be 75% state appropriations and 25% tuition.

Tuition as a Percentage of Core Mission

Total Support for Core Mission of Instructional Access

	Biennium			
	<u>1997-1999</u>	<u>1999-2001</u>	<u>2001-2003</u>	<u>2003-2005*</u>
Local Fund (net) Tuition Revenues	1,341,323	1,631,822	1,890,847	2,410,000
General Fund (net) Tuition Collections	1,543,127	1,785,940	2,055,369	2,580,000
General Fund Appropriation for Salaries, Operating, and Equipment	4,107,420	4,410,268	5,003,513	5,032,682
Total Support for Core Mission	6,991,870	7,828,030	8,949,729	10,022,682
Total Tuition Collections as % of Total Support for Core Mission	41.25%	43.66%	44.09%	49.79%

* Tuition Collections (net) are estimated for 03-05 and 05-07. 05-07 Collections assume no tuition rate increase. 05-07 Appropriation assumes no change from 03-05.

In addition to Tuition Collections used to support General Fund operations, LRSC continues to be entrepreneurial by serving students through endeavors which are currently not being supported by state General Fund Appropriations. Above is a summary of tuition generated by such endeavors and, when added to General Fund Tuition Collections, the percentage of total support provided by institutionally generated revenue toward its core mission of access to instructional programs.

LRSC Tuition vs. National Tuition

2003-2004

- Nationally, average tuition and fees at two-year public institutions was \$1,905. (*College Board*)

LRSC tuition and fees
are \$3,065

Ratio: Students to Staff

- LRSC has the second-highest ratio of students to staff of any of the NDUS institutions. Highest is 24.7 to 1.

LRSC students to staff ratio:
23.1 to 1

Ratio: Student to Faculty

- LRSC has the fourth-highest ratio of students to faculty.

Highest is 20.7 to 1 and lowest is 12.9 to 1.

LRSC students to faculty ratio:
17.4 to 1

Craig Kilber
NDSU Student Body President
Senate Education Committee
January 25, 2005

Mr. Chairman, members of the Education committee, I am Craig Kilber and I will be representing the students of North Dakota State University.

The three points that are striking to the student's perspective, which were presented by the previous speakers:

- Student to faculty ratio
- Student to staff ratio
- Reported general funds per student

Student to Faculty Ratio and Student to Staff Ratio:

- Faculty for UND is 13.8:1 and NDSU is 20.7:1
- Staff for UND is 8.8:1 and NDSU is 15.8:1 (UND has almost double the amount of staff)
- Having a lower ratio allows for students to be more engaged with classroom activities

General Funds Per Student:

- Shows just how unfair students are being treated
- There is almost a \$1,800 difference between each of the institutions
- NDSU students are, therefore, paying a higher percentage of their tuition

Increase in Equity Allows For:

- Institutions to reach the 55% of their peer institutions
- Lowering the faculty and staff ratios
- Students to be treated fairly

Bismarck State College
Senate Education Committee, January 25, 2005
Senate Bill No. 2206

Chairman Freborg and members of the Senate Education Committee.

My name is Ashley Sieg. I am a student at Bismarck State College and a member of the Bismarck State College Board of Governors. Here with me are fellow members of the Board of Governors. Representing the students at Bismarck State College, we are here today in support of SB2206 and the positive affect the funding would have on operations at Bismarck State College and to ease the pressure on rising tuition rates for students like us.

As you are aware Bismarck State College is currently funded at 44.4% of their peer benchmark. In the North Dakota University System's long-term finance plan, the executive budget recommendation for equity funding contained in the North Dakota University System appropriations bill SB2003 would make very minimal progress in benchmark funding differentials.

Education funding policy often provides students at two-year schools with additional general fund support due to admissions standards which requires for open enrollment. This is to provide an incentive and educational opportunity for segments of the population who are less affluent and possibly in need of additional education and financial support. This situation is further compromised when you consider accountability measure 4.b of the North Dakota University System's 4th Annual Accountability Measures Report. It indicates that tuition and fees as a percent of median household income for 2 year schools is 25% over our regional average and 37% over the national average. This makes it even more financially difficult for students to attend our 2 year schools. I don't think it is a coincidence that two of the three schools that would benefit from this equity funding bill are 2 year schools.

When I chose to attend Bismarck State College, I based the decision on the education I would receive for the cost I would be paying. I thought tuition would be more affordable than if I were to attend a four-year school. Bismarck State College is a wonderful school, and I don't regret in anyway studying my first two years there. However, in comparison, the tuition I paid this semester was just short of what I would have paid at one of the four-year universities.

One point regarding tuition at Bismarck State College; we know that in FY04 tuition rates at Bismarck State College exceeded national and regional averages for community colleges. We also know that these numbers do not reflect the 13% increase for FY05. We, the students are paying

over 50% of the cost of education when the long term finance plan calls for two-year college's student share of cost to be 25%. Obviously we are having to pay a disproportionate amount of the cost of education. This is not fair for me or my classmates at Bismarck State College. The Bismarck State College administration has indicated that if the funding in this bill was approved that tuition rates could be maintained at their current level for the 2005-07 biennium. This would be a good attempt at addressing the current tuition rate inequities within the North Dakota University System.

This is my last semester at Bismarck State College, so this break in tuition increases wouldn't benefit me directly; but it's not about me individually. It's about all of the students, and the future of Bismarck State College. Some day I may want to send my kids to Bismarck State College, but at the rate tuition has been increasing, I may not be able to afford it.

Approval of SB2206, would not only halt the increasing tuition for us students for a couple years, but it could also give us more opportunities to learn with the many courses and programs that are not being offered at Bismarck State College, due to lack of funding. I have friends who wanted to attend Bismarck State College, but chose a different school, simply because their choice of program cannot be offered because there is not enough funding to hire an additional instructor for that program.

One final thought regarding tuition at Bismarck State College; a freshman student who receives no other financial aid other than the Federal Stafford Loan at the maximum loan limit allotted to a freshman of \$2625, doesn't receive enough money to cover tuition; not to include books, room and board and any other college costs. They are forced to come up with the funding on their own. Options being to take out a personal loan with high interest rates, working full time to come up with the money, or to simply drop out because they just cannot afford it.

I am a proud Bismarck State College student, representing 3,545 other students who are each faced with the financial burden of paying tuition. Give us the opportunity to learn, without worrying about the student loans that we are going to be paying back in a few years. We are the future of North Dakota; if you give us a little, we will give you a lot.

This concludes my testimony and I would be happy to answer any questions you may have.

NORTH DAKOTA SENATE BILL NO. 2206
SENATE EDUCATION COMMITTEE
Tuesday, January 25, 2005

Wendy Pank
President of Faculty Senate, Bismarck State College

Chairman Freborg and members of the Senate Education Committee:

My name is Wendy Pank. I am the President of the Faculty Senate at Bismarck State College and I am here in support of Senate Bill 2206 and the positive effect this funding would have on the teaching/learning process for our students at BSC.

As you are aware, Bismarck State College is funded at 44.4% of our peer benchmarks. I would like to share with you six ways in which this limited funding has impacted faculty and students.

First, when you compare the staffing levels at Bismarck State College to our sister institutions, we fall considerably behind the average for both faculty and staff support. Our staff to student ratio is 26:1. The average for the other community colleges in North Dakota is 19:1. In order for us to be at the same ratio as the other colleges, we would need an additional 44 employees in staff support. Our faculty to student ratio is 19:1. The ratio at the other North Dakota community colleges is 16:1. In order to catch up here, we would need to add 28 faculty members.

Our fall 2004 enrollment was 3,546 students which is more than a 50% increase over the 8 years that I have been a faculty member at BSC. During this time, faculty have been involved in starting 19 new programs and teaching over a thousand additional students per year. These programs and students have required an additional investment in space and human resources. This growth has required us to do more and more with less and less.

Second, while we have made some progress on salaries for our full-time faculty, we are still not competitive. We know that in 2003 (the latest year we have this information), staff salaries lagged regional averages by 12.4% and faculty salaries have lagged by 29.2%. We often have a very limited number of qualified applicants for our positions and many times we have not been able to hire our first choice because of the salary range. I have served on a hiring committee where the candidate hired was the third choice; the top two candidates refused the position due to the low salary. The repercussions of the situation were that existing faculty had to take on the added duty of training and mentoring the new faculty member to bring them up to the standards of the first two candidates. This has made it necessary for us to hire more and more part-time adjunct faculty to assist with the teaching loads. We are currently at 28% of the credit production being taught by adjunct faculty. We do not want to get beyond 30% of credit production being taught by adjuncts because the large number of adjuncts puts more of a load on full-time faculty with respect to committee work, curriculum development and student advising. This year we will lose seven senior faculty members and I fear that it's going to be very difficult to replace them with new full-time faculty of the same quality and this again could contribute to the need to hire additional adjuncts.

As far as part-time faculty, those salaries have not fared well either. We pay far less than other colleges that employ adjuncts in the Bismarck area. We compete for faculty with several institutions including University of Mary, Minot State University, and Dickinson State

University. This means that a faculty member teaching a course for Dickinson State on our campus receives up to \$500 more than teaching a similar course for BSC. This makes it extremely difficult for us to compete for critically needed adjunct faculty.

Third, our faculty, because of their heavy teaching loads, do not have adequate time to spend advising students, planning and developing curriculum to keep courses current, and keeping up with our professional development because if we are to teach students in an ever changing world, we must remain current in our fields.

Fourth, we have eight or nine new positions that have been approved but not hired because we do not have the money. These positions include both faculty and student services. We also have more than ten new programs on the drawing board that we are not able to offer because we don't have the resources to hire faculty, purchase equipment, and rent space. These programs include:

- GIS (Geographic Information Systems)
- Diagnostic Medical Sonography
- Electrical & Instrumentation Technology
- Transportation and Supply Chain Management

Fifth, we would see additional growth if we could expand space for limited enrollment programs that are capped because of space limitations for equipment and training. An example is our welding program, which has space for 12 students each year. We are maximizing that space by teaching welding seven days a week.

Sixth, we are not able to provide all the services needed on our campus. For example:

- student support services – one counselor for 3400 students
- remedial courses – every year we get more students who need remediation to succeed in college level courses
- media production support – no help to enhance our courses with multi media
- adequate clerical support – we have one secretary for 108 faculty members

In closing, as Faculty Senate President of Bismarck State College I strongly urge you to pass Senate Bill 2206. Passage of this bill is a major step that will bring us more in line with our benchmark peers and will provide us with the much needed funds to correct the issues that I have brought to your attention.

This concludes my testimony and I would be happy to answer any questions you may have.

State Appropriations for Higher Education, 2004-5

The following figures were compiled by James C. Palmer of Illinois State University. The statistics show changes in higher-education spending over the past year. Some data may be skewed in states that have biennial budgets; those states are marked with an asterisk. The designation "n/c" indicates that figures are not comparable.

NORTH DAKOTA*		
North Dakota State U	\$66,307	0.0%
U of North Dakota	65,552	0.0
Minot State U	15,503	0.0
State C of Science	12,355	0.0
Bismarck State C	8,181	0.0
Dickinson State U	6,996	0.0
Valley City State U	5,785	0.0
Mayville State U	4,433	0.0
Williston State C	2,738	0.0
Lake Region State C	2,539	0.0
Student financial aid	2,290	0.0
Other	7,751	0.0
Total	\$200,430	0.0%

Members of the Senate Education Committee,

My name is Charles Kupchella, President of the University of North Dakota. I'm here to testify on Senate Bill 2206. The bill, though well-meaning, would substitute a legislative solution to equity for one developed by the Board of Higher Education and thus would be a step back for the flexibility granted to higher education by the Legislature. The bill would have an effect counter to the way in which the State Board of Higher Education set out to address equity in the context of a host of important considerations. Unless the money appropriated to support this bill would be on top of the funding for higher education recommended by the Governor, it would cause great harm to the University of North Dakota by depriving the University and its students of even a very badly needed parity increase and would be very divisive within our system of higher education.

The long-term financing plan began with the identification of a set of peer institutions for each of the schools in our system. The schools identified as peers were selected on the basis of a number of indicators, and it was understood by all of us that while no school is exactly like any of our schools, these would provide a rough approximation of comparison between our levels of funding through tuition and state appropriation compared to the median for these benchmark schools. The Vice Chancellor of the System testified at the Appropriations Committee Monday, January 17, that the estimates shown in the spreadsheet attached could be considered accurate to within about five percent. I think that the truth is somewhere beyond five percent since these estimates were developed with only some adjustment for the passage of time, and may only be accurate to within 10 percent. In any case, it was because of a generally recognized lack of precision that we initially settled on target levels of dealing with equity at 85 percent and 95 percent of the median of the peer institutions. As the long-term financing plan was advanced, the idea was that each institution would receive consideration from whatever pool of funding could be made available for equity based on the distance of each of the schools from the 85 percent level first, and then when all of the institutions had reached that level, the basis for future adjustments over a 12-year period would be based on each school's distance from 95 percent.

If you look at the spreadsheet, you'll notice that the University of North Dakota's gap between where it stands today – at least by estimate – and the 85 percent level for its peers is the largest gap of any institution in the state. Yet, because the University of North Dakota is excluded, the bill would make this gap even greater. My point is that if equity is to be addressed, UND must be included.

A number of institutions, certainly more than three, are badly in need of some equity consideration, and we all agreed on a long-term plan to deal with that. Three schools are given a huge boost here, while others – also very far away from equity funding – are ignored under this bill. The Board of Higher Education has indicated now it would like to see additional funding provided to higher education for the combination of equity, parity, the directive from the Governor concerning salary increases, and other factors, and in the Board's presentation these are presented in a balanced way with reasonable consideration given to all of these factors. This bill picks out equity at the expense of the other factors relative to all of the schools and gives favored status to these three. Inexplicably, the bill could triple the amount specified by the Board in its strategy to reach "55 percent."

We have some level of a spirit of cooperative interaction now between and among the schools that make up our system, and while this could certainly be improved, and we continue to work at it, this bill would have the effect of making a unified system far more remote than it is today. I urge that this bill be amended – we would all welcome an additional dollars for higher education – or rejected as it stands, and instead defer to action in the same direction covered under the proposed budget adjustments recommended by the State Board of Higher Education.

Thank you for the opportunity to speak.

Charles E. Kupchella
President, University of North Dakota
January 25, 2005

Senate Bill 2206

Education Committee Hearing

January 25, 2005

Higher Education Equity

Mr. Chairman and Senators. For the record my name is Richard Brown, Senator representing District 27 in Fargo.

I stand before you this morning to introduce you to Senate Bill 2206. This bill is proposing to solve the equity issue in higher education. The problem in a nutshell is that three of the eleven institutions are funded at less than 50% of their peer institutions, while the other eight are above 55%, with one being above 90%.

How did this happen—Several years ago, it was discovered that the distribution of State Appropriated dollars was not equitable between the eleven Institutions. This disparity was one of the primary reasons that a state wide group called the Higher Education Roundtable was formed. The Roundtable consisted of Legislators, Private Sector Leaders, Government Officials, Higher Ed Leadership and other citizens.

One of the outcomes was to charge the State Board of Higher Ed with the task of studying and implementing a Long Range Funding Plan to deal with this issue. A tremendous effort has been carried out and a Long Range Plan has been developed.

An analysis of the results of the Plan indicate that with 80% of the resources devoted to parity and 20% going to equity, those institutions that are currently below 55% of their peers are making little or no progress in their funding equity because they are starting from to low of a base.

It is the intent of this legislation to set the minimum state resource distribution level at 55% of their peers. Once this minimum is achieved with current, consistent comparisons the Long Range Funding Plan will work more equitably to distribute future state resources.

There are a number of people here today to talk to you, and I want to give them plenty of time.

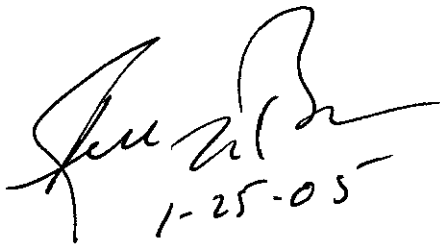
I would like to talk to you briefly about NDSU. There are great things going on at the University. Specifically, what is going on at the Technology Center is going to pay dividends around the state in the future. It will mean jobs with good pay. It will give our students opportunities for careers. We need to move forward with these projects.

But, we must first look at our students. The three schools, NDSU, BSC, and Lake Region, at the bottom of the equity ladder, are not able to treat their students fairly. Their students pay over 50% of the costs, while at the other eight schools the percent is in the 30 to 40 percent range.

We can do better.

I would ask that you give SB 2206 a do-pass recommendation.

Thank you.


1-25-05